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著者	Negussie Belayneh Taye
journal or publication title	年報筑波社会学
number	15
page range	17-38
year	2003-10
URL	http://hdl.handle.net/2241/108086

〈ARTICLE〉

The Emergence and Development of the Theory of Social Capital in Sociology: An Overview

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This paper reviews the origins and development of the theory of social capital in sociology. It tries to identify some of the ideas that have been instrumental in shaping current thought about social capital in the writings of Bourdieu, Coleman, Putnam, and Fukuyama, among other authors. With the rise of the concept of social capital as analytic and diagnostic tool, both the academic and policy-making communities have been particularly energized. From the World Bank to local governments, the creation of social capital has been embraced as a solution for social problems as diverse as poverty and crime, economic underdevelopment and inefficient government. Yet despite the widespread attention it has received, there are several theoretical and empirical weaknesses associated with it. In the final section of this paper, I have illustrated these weaknesses and problems. I argue that social capital has both 'positive' and 'negative' outcomes. There may be different types of social capital and a single term, 'social capital' is inadequate to explain the range of empirical situations demanded of it. This demands a more detailed examination of the intellectual history of social capital, and the lessons from empirical research that embrace a range of dimensions, levels, conditions and types of social capital.

Social Capital: Its Theoretical Foundation in Sociology

Social capital is a sociological concept which has been applied to a variety of issues in recent times. To understand social capital, we must first clarify the notion of

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capital. The notion of capital can be traced to Marx (1849, 1865/1933/1935, 1867/1995; Brewer 1984) in his analysis of how capital emerges from social relations between the bourgeoisie and laborers in the process of commodity production and consumption. Marx saw capital as part of the surplus value that creates further profit (Marx 1867/1995). Marx's theory of capital is a theory based on the exploitative social relation between two classes, the capitalist and the laborer.

Central to this theory are the notions that capital is intimately associated with the production and exchange of commodities and it involves process rather than simply a commodity or value, even though it may be the final result. Capital is intrinsically a social notion. It entails in the process of production, a social activity. The exchange process, by definition, is also social (Lin, 2001).

We can call the notion of capital and its features as described by Marx the classic theory of capital. The basic idea that capital is the investment of resources for the production of profit has been maintained in all subsequent theories. However, in the Marxian scheme, both investment and profit are vested in capitalists. The labor involved in the process of production does not generate or accumulate capital for the laborers. The classic theory of capital is based on the explanatory argument that class differentiation is fundamental in capitalist society, where the exploiting class controls the means of production and collects all the surplus value generated from the labor provided by the exploited class.

The classical capital theorists essentially identified natural capital (air, water, land and other natural resources), physical capital¹ (i.e. tools and machinery) and labor as the three basic factors shaping economic growth. The evolution of capital theory in the last four decades into what can be called neo-capital theory essentially modifies or eliminates the class explanation as a necessary and required theoretical orientation. In the 1960s, neo-classical economists such as T.W. Schultz and Garry Becker² introduced the notion of human capital arguing that a society's endowment of educated, trained and healthy workers determined how productively the production factors can be utilized. The latest equipment and most innovative ideas in the hands or minds of the brightest persons, however, will amount to little unless that person also has access to

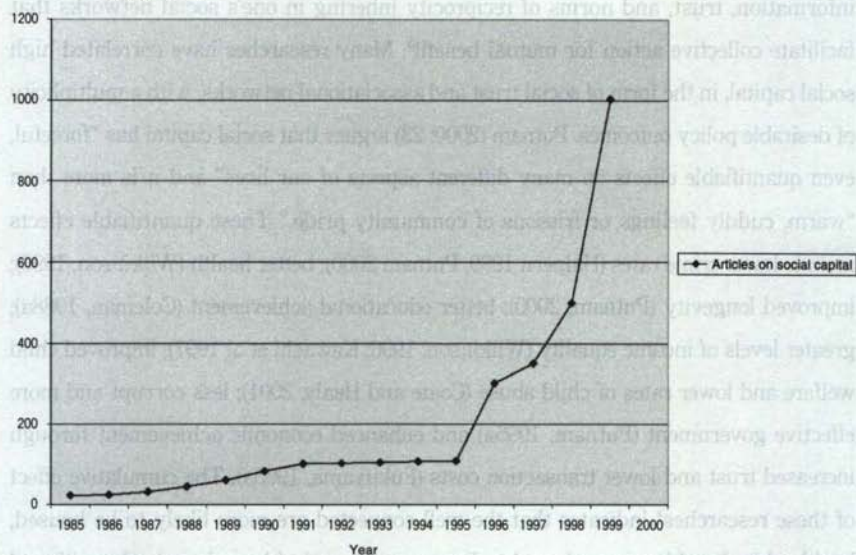
others to inform, correct, assist with, and disseminate their work. Life at home, in the hall or on the shop floor is both more rewarding and productive when suppliers, colleagues, and clients alike are able to combine their particular skills and resources in the spirit of trust, cooperation, and commitment to common objectives. The vast majority of people, moreover, live, work, vote, pray and recreate as members of various but distinct social groups that shape one's very identity, values and priorities. Membership in these communities provides (or importantly prevents) access to key professional networks, political insiders and cultural elites; it is also the context in which one gives and receives care, friendship, encouragement, and moral support.

To physical, natural and human capital, sociologists, political scientist and economists have thus begun to speak of social capital, generally defined as the information, trust, and norms of reciprocity inhering in one's social networks that facilitate collective action for mutual benefit³. Many researches have correlated high social capital, in the form of social trust and associational networks, with a multiplicity of desirable policy outcomes. Putnam (2000: 23) argues that social capital has "forceful, even quantifiable effects on many different aspects of our lives" and it is more than "warm, cuddly feelings or frissons of community pride." These quantifiable effects include lower crime rates (Halpern 1999, Putnam 2000); better health (Wilkinson, 1996); improved longevity (Putnam, 2000); better educational achievement (Coleman, 1988a); greater levels of income equality (Wilkinson, 1996; Kawachi et al 1997); improved child welfare and lower rates of child abuse (Coate and Healy, 2001); less corrupt and more effective government (Putnam, 1995a) and enhanced economic achievement through increased trust and lower transaction costs (Fukuyama, 1995a). The cumulative effect of these researches⁴ indicates that the well connected are more likely to be housed, healthy, hired and happy and resolve disputes more amicably and respond to citizens' concerns more promptly (Woolcock, 2001). Upon closer inspection, however, identifying these implications more precisely proves problematic. To see why, we need to review what the social capital literature tells us about itself.

Conceptual Extension

Portes (1998) suggests that the concept behind social capital is nothing new in sociological terms. He points to the work of Durkheim and his emphasis on being connected in a community as “antidote to anomie and self destruction”. Social Capital, however, in its contemporary form was first identified as such by Hanifan (1916) who argued that social capital refers to those tangible assets that count for most in the daily lives of people: namely goodwill, fellowship, sympathy, and social intercourse among the individuals and families who makeup a social unit.

Figure 1: The Exponential growth in reference to Social Capital in the academic literature



Source: Halpern, 2001.

Other plausible candidates are Gouldner (1960), Jacobs (1961), Lourry (1977) and Bourdieu (1986). In the Past 10–15 years, Coleman (1988a; 1990; 1994a), Burt (1992), Putnam (1993a; 1995a; 1995b), and Portes (Portes and Sensenbrenner, 1993) have developed the concept extensively and are credited with bringing the term “social

Capital" to prominence. It now assumes a wide variety of meanings and has been cited in a rapidly increasing number of social, political and economic studies⁵. Before 1981, the number of journal articles listing social capital as a key word totaled 20, between 1991 and 1995 this has risen to 109, and between 1996 and 1999 the total was 1003 (Baum et al., 2000). The explosion of interest in the concept of social capital is growing unabated across the social sciences (see figure 1).

This paper tries to identify some of the ideas that have been instrumental in shaping current thought about social capital. For the sake of brevity, I will review some selected works, which in my view, played a particularly seminal role in the development of the field with a particular emphasis on social theory and development.

Pierre Bourdieu

Bourdieu (1986) brought forth the idea that capital can be converted from one form to another. In the context of the field of sociology of education, Bourdieu differentiates between three forms of capital — economic, cultural and social — and their contribution to scholastic achievement. His focus is on the convertibility of capital and how this process forms the basis of the strategies adopted by individuals and social groups to ensure the reproduction of capital.

Bourdieu believes that in order to understand the structure and the functioning of the social world, it is necessary to discuss capital in all its forms and not solely in the one form recognized by economic theory. In particular, the exchanges that economic theory considers non-economic because they do not directly maximize profit are those that ensure the transformation. During this change, the most material types of capital present themselves in the immaterial form of cultural or social capital, or vice versa. Bourdieu contends that the different types of capital can be distinguished according to how easily they are transmitted: economic capital is immediately and directly convertible into money and may be institutionalized in the form of property rights; cultural capital is convertible, under certain conditions, into economic capital and may be institutionalized in the form of educational qualifications; and social capital is convertible, under certain conditions into economic capital and may even be

institutionalized in the form of a title of nobility.

Social capital, as defined, by Bourdieu (1986: 248–249),

is the aggregate of the actual or potential resources which are linked to possession of a durable network more or less institutionalized relationships of mutual acquaintance and recognitions-or in other words, to membership in a group-which provides each of its members with the backing of the collectively-owned capital, a 'credential' which entitles them to credit.

These relationships may exist only in the practical state, in material and/or symbolic exchanges which help to maintain them. They may also be socially instituted and guaranteed by the application of a common name (the name of a family, a class, or a tribe, or of a school, a party, etc.) and by a whole set of instituting acts designed simultaneously to form and inform those who undergo them.

Bourdieu (1986: 249) notes that,

the volume of the social capital possessed by a given agent thus depends on the size of the networks of connections he can effectively mobilize and on the volume of the capital (economic, cultural, or symbolic) possessed in his own right by each of those to whom he is connected.

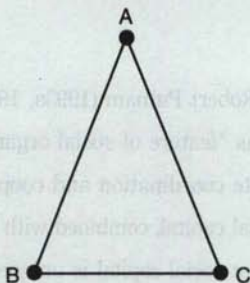
Bourdieu further argues that the existence of a network of connections is not a natural given or even a social given, constituted once and for all by an initial act of institution, represented, in the case of the family group, by the genealogical definition of kinship relations, which is the characteristics of a social formation. It is the product of an endless effort at institution, of which institutions rites mark the essential moments and which is necessary in order to produce and reproduce lasting, useful relationships that can secure material or symbolic profits. In other word, the network of relationships is the product of investment strategies, individual or collective, consciously or unconsciously aimed at establishing or reproducing social relationships that are directly usable in the short or long-term.

James Coleman

Coleman, a renowned American sociologist, is in the forefront in the development of the concept of social capital. His work is recognized as one of the most significant as is Robert Putnam's (1993a) study of voluntary associations in Italy. James Coleman (1988a) in his article 'Social Capital in the creation of human Capital', American Journal of Sociology, introduced social capital as a conceptual tool for understanding a theoretical orientation to social action that combines the components of both sociological and economic perspectives. His aim is to import the economists' principle of rational action for use in the analysis of social systems. Coleman (1988a, 1990) discusses how social capital is created and examines the forms in which it manifests itself. Coleman argues that just as physical capital (tools, machines, and other productive equipment) is created by making changes in materials (natural capital) so as to form tools that facilitate production, human capital is created by changing persons so as to give them skills and capabilities that make them able to act in new ways.

Social capital in turn is created when the relations among persons change in ways that facilitate action. Physical capital is wholly tangible, being embodied in observable material form; human capital is less tangible, being embodied in the skills and knowledge acquired by an individual; social capital is even less tangible, for it is embodied in the relations among persons. Physical capital and human capital facilitate productive activity, and social capital does so as well.

Figure 2: Three-person structure: human capital in nodes and social capital in relations



Source: Adapted from Coleman, 1990.

The distinction between human capital and social capital can be exhibited by a diagram shown in Figure 2, which represents the relations of the persons (A, B, and C); the human capital resides in the nodes, and the social capital resides in the lines connecting the nodes. Social capital and human capital are often complementary (Coleman, 1990).

Coleman identifies three forms of social capital. The first of which he characterizes as the obligations and expectations which depend on the trustworthiness of the social environment. Two elements are critical to this form of social capital: the level of trustworthiness of the social environment, which means that obligations will be paid, and the actual extent of obligations held. Social structures differ in both of these dimensions, and actors within a particular structure differ in the second. The second form of social capital in Coleman's framework is the capability of information to flow the social structure in order to provide a basis for action. This information inheres in social relations. Information is important in providing a basis for action. One means by which information can be acquired is to use social relations that are maintained for other purposes.

The third form is the presence of norms accompanied by effective sanctions. When an effective norm does exist, it constitutes a powerful, but sometimes fragile, form of social capital. Effective norms can constitute a powerful form of social capital. This social capital, however, not only facilitates certain actions but also constrains others⁶. Many subsequent scholars, including Robert Putnam, have based their researches on the foundations laid by James Coleman.

Robert Putnam

In his seminal works, Robert Putnam (1993a, 1993b, 1995a) identifies social capital, as mentioned earlier, as "feature of social organizations, such as networks, norms, and trust that facilitate coordination and cooperation for mutual benefit" (1993b: 36). He claims that social capital, combined with human and physical capital, spurs economic growth, but that social capital is unique in that it also enhances the benefits of investments in physical and human capital.

An important focus in Putnam's work is how social capital may help surmount the dilemmas of collective action. First, Putnam illustrates the importance of social capital by discussing his own empirical research. An experiment with regional governance in Italy initiated in 1970 provided him with an opportunity to study the process of institutional development. His research showed how some regions have strong traditions of civic engagement, such as voter turnout and active community organizations, whereas other regions were "uncivic" with a meager engagement in social and cultural associations. Putnam argues that lessons learned from this research are relevant for other societies grappling with how to achieve good governance where civil society is weak and economic difficulties predominate. Then he elaborates on the positive impact of social capital on economic development by referring to other scholars' work. He discusses the risks of destroying social capital and points to a need of exploring the negative effects of social capital.

Putnam claims in Italy differences in regional institutional performance could be traced in their different patterns of civic engagement, where the regions with strong such engagements were rooted in a civic heritage from the early Middle Ages. Fundamental to these traditions are rich networks of organized reciprocity and civic solidarity embodied in guilds, religious fraternities, and neighborhood associations. According to Putnam, the historical record suggests that the economic welfare of these communities stem from being civic; not vice versa. He therefore concludes, "the social capital embodied in norms and networks of civic engagement seems to be a precondition for economic development as well as for effective government" (Putnam, 1993b: 37). Then Putnam outlines three findings in which social capital underpins good government and economic progress. First, trust has a positive impact on social life, illustrated by how networks of civic engagement foster solid norms of generalized reciprocity. Second, civic networks also further coordination and communication and magnify information about the trustworthiness of other members. Third, since past collaboration successes are embodied in these networks, they can serve as "cultural templates" for future collaboration.

In his discussion of the United States, Putnam (1995a) claims that the country's

current troubled political climate is caused by erosion of social trust and community engagement over the last decades. He states that wise policy can encourage social capital formation, and social capital can, in return improve the effectiveness of political action. In addition, investments in physical, financial, human, and social capital should be viewed as complementary, not competing alternatives.

Building on Coleman's concept, Francis Fukuyama (1995a, 1995b), has also done a remarkable work in the field of social capital. For Fukuyama, trust is a central element of social capital. He argues that it is the level of trust inherent in a given society that conditions its prosperity and degree of democracy, as well as its ability to compete. Building on others' scholars work, especially James Coleman's, Fukuyama uses the concept of trust as a measure of social capital and argues that it is accumulated through norms of reciprocity and successful cooperation in networks of civic engagement. Since he argues that social capital rests on cultural roots, which he defines as ethical and moral habits, the main focus of his analysis was on cultural factors, such as values and virtues.

Fukuyama discusses why the cultural foundation of economic life is commonly missing in the current intellectual debate. Then he focuses on how to define culture, trust and social capital, emphasizing how trust is associated with industrial structure and the origin of those organizations that are essential to competitiveness and economic well-being. Fukuyama supports his thesis with empirical evidence from detailed case studies, emphasizing "two major bridges to sociability": the family and non-kinship based communities. Fukuyama groups together four low-trust or so-called "familistic" -societies (China, Southern Italy, France and Korea). His argument is, in these countries the family constitutes the basic unit of economic activity, which in turn, explains why they all have had difficulty in creating large organizations. In contrast, he poses that two-high trust societies (Japan and Germany) have been able to create large-scale firms that go beyond the family. He also deals with the United States, which Fukuyama believes, used to be a high-trust society which now seems to be degenerating into a low-trust society. Fukuyama contends that it is no accident that the United States, Japan and Germany were the first countries to develop large, modern,

rationally organized, and professionally managed corporations. Each of these countries had certain characteristics that allowed business organizations to move beyond the family rather rapidly and to create a variety of new, voluntary social groups that were not based on kinship. They were able to do so, because in each of these societies there was a high degree of trust between individuals who were not related to one another, and hence a solid basis for social capital.

Based on the country case studies, Fukuyama's basic argument is that to obtain economic success it is necessary to establish large, democratic, and capitalistic organizations, especially corporations. However, in order for these institutions to work properly, their proper functioning must be ensured by certain "pre-modern" cultural habits. In the words of Fukuyama (1995b: 11)

Law, contract, and economic rationality provide a necessary but not sufficient basis for both the stability and prosperity of postindustrial societies; they must as well be leavened with reciprocity, moral obligation, duty toward community, and trust, which are based in habit rather than rational calculation.

According to him, trust arises when a community shares a set of moral values in such a way as to create expectations of regular and honest behavior. The vitality of large institutions also depends on a healthy and dynamic civil society, which, in turn depends on people's habits, customs, and ethics — attributes that can be shaped only indirectly through conscious political action and must otherwise be nourished through an increased awareness and respect for culture (Fukuyama, 1995b: 15). The motives necessary to sustain trust and the environmental conditions that foster it were examined earlier by another scholar Gambetta (1988) in a collection of essays from twelve distinguished scholars. He has explored a range of historical case studies of cooperation and its breakdown.

Many others have also made significant strides in advancing our knowledge and understanding of the subject. Another broader concept of social capital was developed by North (1990) which encompassed formalized institutional relationships and structures such as government, the political regime, rule of law, and the court

system. He contends that it is institutional change at this magnitude that shapes the way societies evolve overtime. With a particular focus on human cooperation, he argues that historically, "the evolution of institutions that create a hospitable environment for cooperative solutions to complex exchange provides for economic growth" (North, 1990: vii). An historical perspective was also taken by Olson (1982). Olson believes that if a society enjoys political stability for a long period of time, it is more likely to develop strong special-interest groups that in turn decrease the efficiency of a society from an economic standpoint.

The role of social capital in development was addressed by Serageldin (1996) in terms of its contribution to sustainability. Grootaert (1997) examines the subject by distinguishing micro and macro-level institutions. Evans (1996) examines a variety of new ideas about how and under what conditions civic society and public institutions can jointly become more effective catalysts for development. As Rose (1995) illustrates the absence of constructive interaction between the micro-and macro-levels can result in a significant breakdown of trust — one of the most important and most widely discussed elements of social capital. He argues that the high degree of distrust in government and civil society institutions has led Russian citizens to rely strictly on the trust and cooperation inherent in their dense horizontal networks of friends and relatives.

Studying the complementarity and interrelatedness of local organizations and the institutions of the state and markets is another way social capital has been examined. Norman Uphoff (1993) concludes in his seminal work in this field that local organizations deserve more attention as channels for development, and that these informal institutions are revitalized when both the state and market fail to meet peoples' expectations and needs. Ostrom (1990) illustrates the diversity of solutions that go beyond the market and the state when solving problems related to common property resources. She suggests that building institutions of self-government through collective action can be far more effective than enforcing rules imposed from external sources. While Albert Hirschman (1984) was studying such collective action development efforts in Latin America, he discovered an important element common to

the majority of the participants in his case studies: most of them had been involved in previously unsuccessful collective action activities. Hirschman illustrates a number of situations where these failed experiences provided individuals with a "renewal" of energy that they were able to mobilize for the common benefit. Another "bottom-up" conceptualization of social capital is championed by a renowned sociologist Mark Granovetter (1985). This concept of embeddedness, focuses on how personal relationships and networks of connections generate trust and discourage malfeasance in economic life.

Discussion

Despite its popularity, the concept of social capital has seen strong criticisms. Woolcock (2001) suggests that the reaction against social capital is not surprising given its substantial and rapid rise in popularity. Critics argue that social capital is nothing new, that it is the latest buzz meaning all things to all people. It has aroused suspicion because of the huge range of social issues on which it has been used. Some have lamented that, sociologists "have begun referring to virtually every feature of social life as a form of capital" (Baron and Hannan, 1994: 1122). However, with the rise of the concept of social capital as analytic and diagnostic tool, both the academic and policy-making communities have been particularly energized. From the World Bank to local governments, the creation of social capital has been embraced as a solution for social problems as diverse as poverty and crime, economic underdevelopment and inefficient government. Yet despite the widespread attention it has received, there are several theoretical and empirical weaknesses associated with it.

First, Rational choice theorists regard social capital as informational resources emerging as a result of interaction between rational agents needing to coordinate for mutual benefit. Social norms, according to Coleman (1987; 1990), are thus given 'closure' when two or more individuals discover that it is in their joint interest to cooperate. While, those theorists in the tradition of Durkheimian line of thought, claim

that social capital in the form of normative 'non-contractual elements of contract' is in fact what makes possible any commitment to action, rational or otherwise, shaping not only the goals that people seek but how, whether, and when they seek to attain them. For Network theorists, social capital is simply one's non-rational social ties. If social capital can be rational, pre-rational or even non-rational, what is it not? At the very least, these different conceptualizations suggest that there may be various forms or dimensions of social capital.

Second, some theorists interpret social capital as the combination of 'ties' and norms binding individuals within constituent elements of large organizations (cf. Rueschemeyer and Evans, 1985), 'non-bureaucratic foundations of bureaucratic functioning', and/or linking them across different institutional realms (Granovetter, 1973; Wilson, 1996), others regard social capital as a 'moral resource' (Hirschman, 1984a) such as 'trust' (Fukuyama, 1995b; Gambetta, 1988; Henslin, 1985) or a cultural mechanism used to define and reinforce the boundaries of particular status groups (Bourdieu, 1986). This leaves unresolved whether social capital is the infrastructure or the contents of social relations or is it both? "Defining social capital functionally", Edwards and Foley (1997: 669) correctly point out, "makes it impossible to separate what it is from what it does." Matters are complicated further when social capital is classified as a 'public good' that is, by definition, 'under-produced' by society. Social capital in the form of trust, it is argued, is created as a by-product of other collective endeavors such as participation in civic associations, but these activities are themselves public goods, and are also identified as social capital, leaving us with the problematic conceptual task of distinguishing between "the sources of social capital and the benefits derived from them" (Portes and Landolt, 1996: 19).

Most discussions of social capital strongly emphasize its positive outcomes⁷. However, recent studies have identified at least four negative consequences of social capital: exclusion of outsiders, excess claims on group members, restrictions on individual freedoms, and downward leveling norms. As Portes and Landolt (1996) point out, long-standing civic groups may stifle a nations' development by securing a disproportionate share of national resources and/or inhibiting individual economic

advancement by placing heavy personal obligations on members that prevents them from participating in broader social networks. The best evidence in support of this argument comes from the ethnic entrepreneurship literature (e.g. Light and Karageorgis, 1994), where entry into a given community — say, Koreans in South-central Los Angeles, Puerto Ricans in New York — gives the new arrival access to financial and personal support so that a small business can be started. Lacking material assets (physical capital), recognized skills and fluency in English (human capital), the immigrant is able to call upon her social capital to launch a new life. If the business is successful, however, there will likely come a time when the ethnic community is neither large enough nor heterogeneous enough to provide the product and factor markets necessary for more complex economic exchange. Accesses to new networks extending beyond the ethnic community are therefore required, but this will be very difficult if intra-community obligations are highly demanding. This outcome supports the view that social capital has both 'positive' and 'negative' outcomes. Broadly speaking, this suggests that there may be different types of social capital, and that collectively they are resources to be optimized, not maximized.

Conclusion

Where do these criticisms of the idea of social capital — that a single term is inadequate to explain the range of empirical situations demanded of it, that confuses sources with consequences, and understates corresponding negative aspects leave us? Short of dismissing the term altogether, one possible resolution of these concerns may be that there are different types, levels, or dimensions of social capital, different performance outcomes associated with different combinations of these dimensions, and different sets of conditions which support or weaken favorable conditions. Sorting out and resolving these issues requires a more dynamic rather than static understanding of social capital; it invites a more detailed examination of the intellectual history of social capital, and the search for lessons from empirical research that embrace a range of any

such dimensions, levels or conditions.

Although various manifestations of social capital have been invoked in numerous studies since the late 1970s, the most extensive empirical research and coherent theoretical advances have come in the late 1980s and 1990s from two distinct literatures within the so-called 'new economic sociology of development' namely ethnic entrepreneurship studies at the micro level and comparative institutionalist studies of state-society relations at the macro level. However, the effort that has so far been made to synthesize the insights from these different camps is little.

The basis for attempting such a synthesis can rest on the centrality of two key concepts shared by these literatures, concepts referring to two distinct but complementary forms of social capital. These concepts are, respectively, 'embeddedness' and 'autonomy' (Woolcock, 2001). The idea of embeddedness comes originally from Karl Polanyi (1957) but was introduced to contemporary sociologist by Granovetter (1985).

In his discussion of embeddedness, Granovetter dismissed the distinction between 'markets and hierarchies' arguing that firms are distinguished not so much by their 'informal' or 'formal qualities' (since elements of both are always present), but rather the structures of personal relations and networks of relation between and within firms. Granovetter's distinction between the contributions of social relations as either 'personal ties' or 'networks' is consistent with and expands upon his earlier work (1973) on the 'strength of weak ties' in shaping labor market outcomes. In the late 1980, the embeddedness thesis was incorporated into substantive research on economic development both at the micro and macro levels.

In order to establish whether the costs or benefits of embeddedness prevailed in any given situation, scholars began suggesting that the presence or absence of a complementary set of autonomous social ties needed to be incorporated into the analysis. At the micro level, this meant focusing on the extent to which community members also had access to a range of non-community members; at the macro level, it entailed examining the extent to which senior policy makers were not just connected to key industry leaders, but were themselves simultaneously governed by a professional

ethos committing them to negotiating and pursuing collective goals, and recruiting and rewarding colleagues on the basis of merit. Importantly then, they also identified distinct but corresponding forms of autonomy.

The sense in which 'embeddedness' and 'autonomy' is employed at the micro and macro level, however, is not the same; embeddedness at the micro level refers to intra-community ties, whereas at the macro level it refers to state-society relations; autonomy at the micro level refers to networks that cross community lines, while at the macro level to institutional capacity and credibility (Woolcock, 2001).

Portes and Sensenbrenner's (1993) model of the antecedents and effects of social capital is helpful in terms of identifying some of the conditions under which social capital has formed, rightly stresses both the 'positive' and 'negative' aspects of social capital within particular groups or localized communities, and demonstrates that social relations need to be dynamic in order to accommodate more complex economic exchange. The model's shortcomings are revealed when it comes to providing clues as to how or through whom: (i) the positive aspects of social capital can be created and harnessed; (ii) the negative aspects of social capital can be overcome; (iii) social capital is nurtured and maintained in large formal organizations.

The conceptual and empirical limitation of both the ethnic entrepreneurship and comparative institutionalist literature suggests the need for a broader and more dynamic model encompassing both domains. Such a conceptualization of social capital should seek to address the various theoretical problems and weaknesses drawing on the strengths of the existing insights.

Notes

- 1 Physical capital is sometimes divided into financial capital, to distinguish fixed from monetary assets.
- 2 See Schultz (1961; 1963) Becker (1962; 1993), and more recently Lucas (1988). In contemporary research, the importance of endogenous factors such as human capital and technology is

stressed by the so-called New Growth Economists; for a review of this literature, which has interesting and important complementariness with the social capital approach, see Romer (1994).

3 This general definition summarizes the positions of the major contributors to social capital theory. For more specific definitions, see James Coleman: "Social capital is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common. They all consist of some aspects of social structure, and they facilitate certain actions of individuals who are within the structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that would not be attainable in its absence" (Coleman, 1990: 302); Ronald Burt: "Social capital refers to friends, colleagues, and more general contacts through whom you receive opportunities to use (other forms of) capital...Relations within and between firms are social capital...(it) is the final arbiter of competitive success" (Burt, 1992: 9); Glenn Loury: "(social capital refers to) naturally occurring social relationships among persons which promote or assist the acquisition of skills and traits valued in the market place...(it is) an asset which may be as significant as financial bequests in accounting for the maintenance of inequality in our society" (Loury, 1992: 100); and Alejandro Portes: "social capital refers to the capacity of individuals to command scarce resources by virtue of their membership in networks or broader social structures" (Portes, 1995a: 12). The theoretical implications and problems of these definitions will be discussed in the subsequent sections of this chapter.

4 The contemporary literature assigns social capital a number of distinctive properties that give rise to these results. First, where physical capital and human capital are essentially the property of individuals, social capital by extension resides in groups; unlike other capitals, it incorporates expectations of reciprocity, and is essentially immobile (this claim is controversial; see Baron and Hannon, 1994; Portes and Landolt, 1996). Second, stocks of social capital increase rather than decrease through use; where physical capital worn out or consumed, for example, trust demonstrated today will be amplified tomorrow. Third, however, social capital is more destroyed than created; one corrupt employee can discredit an otherwise exemplary organization. Fourth, because of its capacity to resolve collective action problems and enhance productivity, social capital is regarded as complementary to, rather than a substitute or competitor for, investment in other forms of capital. Finally, it is important to add that both human and social capital can have intrinsic value as well as instrumental value; good health, education, cooperation and friendships, as Dreze and Sen (1995: 43) rightly stress, "can be valued for their own sake-above and beyond their instrumental importance as factors of production."

- 5 Social capital research can be grouped into seven substantive fields. In addition to the literature on social theory and development — the primary focus of this paper — the idea of social capital has also been employed extensively in studies of families and youth behavior problems; schooling and education; community life; work and organizations; democracy and governance, and more general cases of collective action problems
- 6 Social control is also the focus of several earlier essays by Coleman, who laments the disappearance of informal family and community structures who produce social capital. Coleman calls for the creation of formal institutions to take their place. This was the thrust of Coleman's 1992 presidential address to the American Sociological Association, in which he traced the decline of 'primordial' institutions based on the family and their replacement by purposefully constructed organizations. In his view modern sociology's task is to guide this process of social engineering that will substitute obsolete forms of control based on primordial ties with rationally devised material and status incentives (Coleman 1988b, 1993).
- 7 As Portes (1998: 15) has put it, indeed it is our sociological bias to see good things emerging out of sociability; bad things are more commonly associated with the behavior of 'homo economicus'. However, the same mechanisms appropriable by individuals and groups as social capital can have other, less desirable consequences. It is important to emphasize them for two reasons: first, to avoid the trap of presenting community networks, social control, and collective sanctions as unmixed blessing; second, to keep the analysis within the bounds of serious sociological analysis rather than moralizing statements.

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